

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

YEAR ENDED FEBRUARY 28, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF NEW LOTHROP	County SHIAWASSEE
Fiscal Year End 02/28/06	Opinion Date 08/09/06	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DEMIS AND WENZLICK, P. C.		Telephone Number (989) 723-8227	
Street Address 217 N WASHINGTON STREET, SUITE 201		City OWOSSO	State MI
Zip 48867			
Authorizing CPA Signature 		Printed Name LORI S. CHANT	License Number 1101020651

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN

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VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN

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# DEMIS and WENZLICK, P.C.

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## INDEPENDENT AUDITOR'S REPORT

August 9, 2006

Members of the Village Council  
Village of New Lothrop  
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and major fund of Village of New Lothrop, Shiawassee County, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of New Lothrop's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of New Lothrop, Shiawassee County, Michigan as of February 28, 2006, and the respective changes in financial position and cash flows were applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 2006 on our consideration of the Village of New Lothrop's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Domin and Lengyel, PC*

Certified Public Accountants

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2006

The Management's Discussion and analysis report of the Village of New Lothrop covers the Village's financial performance during the year ended February 28, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at February 28, 2006, totaled \$378,999. for governmental activities, \$1,076,811 for business-type activities and \$199,699 for component unit activities. Overall total capital assets remained approximately the same, except for the reconstruction of Northwood Street from Beech Street to Maple Street for \$80,890.

Overall revenues were \$421,522 (\$171,773 from governmental activities, \$111,487 from business-type activities and \$138,262 from component unit activities). Governmental activities had a \$86,362 increase in net assets. Business-type activities has a \$7,076 decrease in net assets. Component unit activities had a \$21,197 increase in net assets.

Taxable value increased by approximately \$558,252.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental, business-type and component unit activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2006

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity, you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities, business-type activities and component unit activities. These include the General Fund, the Major Street Fund, the Local Street Fund, the Water Fund, the Sewer fund and New Lothrop Development Authority.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General fund, the Major Street Fund and the Local Street Fund.



VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2006

**Business Type Funds:** The Village has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to Village residents.

**Discretely Presented Component Unit:** The Village has a Development Authority. The Authority function is to provide public improvements within the Village. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statement and the fund statement are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remain strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had an decrease in fund balance of \$14,674. The Major Street fund had an increase in fund balance of \$3,698. The Local Street Fund had a increase in fund balance of \$4,929.

The Water Fund had a decrease in net assets of \$13,191. The Sewer Fund had an increase in net assets of \$6,115.

The New Lothrop Development Authority had an decrease in fund balance of \$18,155.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$86,799 in capital assets. The Village's business-type activities invested \$4,151 in capital assets. The Village's component unit activities invested \$-0- in capital assets. The Village's governmental activities paid \$0 of principal on long-term debt. The Village's business-type activities paid \$0 of principal on long-term debt. The Village's component unit activities paid \$43,010 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents significant portion of our income.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2006

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Village Clerk or Village Treasurer at (810) 638-5600.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2006

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT</u>
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>TOTAL</u>	<u>UNIT</u>
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>		
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash & Cash Equivalents	\$209,070	\$ 476,340	\$ 685,410	\$239,795
Due from Component Unit	236	-0-	236	-0-
Due from Other Gov't Units	17,446	-0-	17,446	-0-
Receivables	1,524	27,212	28,736	63,957
Prepaid Expenses	<u>13,702</u>	<u>5,371</u>	<u>19,073</u>	<u>-0-</u>
TOTAL CURRENT ASSETS	<u>\$241,978</u>	<u>\$ 508,923</u>	<u>\$ 750,901</u>	<u>\$303,752</u>
<b>RESTRICTED ASSETS:</b>				
Certificates of Deposit	\$ <u>-0-</u>	\$ <u>19,000</u>	\$ <u>19,000</u>	\$ <u>-0-</u>
TOTAL RESTRICTED ASSETS	\$ <u>-0-</u>	\$ <u>19,000</u>	\$ <u>19,000</u>	\$ <u>-0-</u>
<b>NONCURRENT ASSETS:</b>				
<b>CAPITAL ASSETS:</b>				
Land	\$ 23,330	\$ 24,966	\$ 48,296	\$ 40,005
Other Capital Assets, Net of Accum. Depr.	<u>122,748</u>	<u>524,733</u>	<u>637,481</u>	<u>32,216</u>
TOTAL NONCURRENT ASSETS	<u>\$146,078</u>	<u>\$ 549,699</u>	<u>\$ 695,777</u>	<u>\$ 72,221</u>
<b>TOTAL ASSETS</b>	<u><b>\$388,056</b></u>	<u><b>\$1,077,622</b></u>	<u><b>\$1,465,678</b></u>	<u><b>\$375,973</b></u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2006

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT</u>
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>		<u>UNIT</u>
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTAL</u>	
LIABILITIES AND NET ASSETS:				
LIABILITIES:				
CURRENT LIABILITIES:				
Due to Primary Gov't.	\$ -0-	\$ -0-	\$ -0-	\$ 236
Accounts Payable	6,900	121	7,021	-0-
Accrued Wages	1,100	-0-	1,100	-0-
Payroll Taxes Payable	<u>1,057</u>	<u>690</u>	<u>1,747</u>	<u>-0-</u>
TOTAL CURRENT LIABILITIES	\$ <u>9,057</u>	\$ <u>811</u>	\$ <u>9,868</u>	\$ <u>236</u>
NONCURRENT LIABILITIES:				
SIB Loan	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>176,038</u>
TOTAL NONCURRENT LIABILITIES	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>176,038</u>
TOTAL LIABILITIES	\$ <u>9,057</u>	\$ <u>811</u>	\$ <u>9,868</u>	\$ <u>176,274</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	\$146,078	\$ 549,699	\$ 695,777	\$ (103,817)
Restricted for Improvements and Maintenance	-0-	19,000	19,000	-0-
Unrestricted	<u>232,921</u>	<u>508,112</u>	<u>741,033</u>	<u>303,516</u>
TOTAL NET ASSETS	\$ <u>378,999</u>	\$ <u>1,076,811</u>	\$ <u>1,455,810</u>	\$ <u>199,699</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>388,056</u>	\$ <u>1,077,622</u>	\$ <u>1,465,678</u>	\$ <u>375,973</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2006

		<u>PROGRAM REVENUES</u>		
		<u>CHARGES</u>	<u>OPERATING</u>	<u>NET</u>
	<u>EXPENSES</u>	<u>FOR SERVICES</u>	<u>GRANTS AND</u>	<u>(EXPENSE)</u>
			<u>CONTRIBUTIONS</u>	<u>REVENUE</u>
FUNCTIONS/PROGRAMS				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 81,480	\$ 3,956	\$ -0-	\$ (77,524)
Law Enforcement	60,130	1,698	500	(57,932)
Streets	<u>49,677</u>	<u>-0-</u>	<u>-0-</u>	<u>(49,677)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$191,287</u>	<u>\$ 5,654</u>	<u>\$ 500</u>	<u>\$ (185,133)</u>
BUSINESS-TYPE ACTIVITIES:				
Water and Sewer	<u>\$118,563</u>	<u>\$ 98,783</u>	<u>\$ -0-</u>	<u>\$ (19,780)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$118,563</u>	<u>\$ 98,783</u>	<u>\$ -0-</u>	<u>\$ (19,780)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$309,850</u>	<u>\$104,437</u>	<u>\$ 500</u>	<u>\$ (204,913)</u>
COMPONENT UNITS:				
New Lothrop Development Authority	<u>\$ 29,022</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (29,022)</u>
TOTAL COMPONENT UNITS	<u>\$ 29,022</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (29,022)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	<u>COMPONENT UNITS</u>
CHANGE IN NET ASSETS:				
NET (EXPENSES) REVENUE	\$ <u>(185,133)</u>	\$ <u>(19,780)</u>	\$ <u>(204,913)</u>	\$ <u>(29,022)</u>
GENERAL REVENUES:				
Property Taxes	\$ 50,461	\$ -0-	\$ 50,461	\$ 137,636
State Revenue Sharing	107,208	-0-	107,208	-0-
Franchise Fees	2,527	-0-	2,527	-0-
Interest	5,423	12,704	18,127	626
Transfers	<u>88,043</u>	<u>-0-</u>	<u>88,043</u>	<u>(88,043)</u>
TOTAL GENERAL REVENUES AND TRANSFERS	\$ <u>253,662</u>	\$ <u>12,704</u>	\$ <u>266,366</u>	\$ <u>50,219</u>
CHANGE IN NET ASSETS	\$ 68,529	\$ (7,076)	\$ 61,453	\$ 21,197
Net Assets, Beginning of Year	292,637	1,083,887	1,376,524	178,502
Prior Period Adjustment	<u>17,833</u>	<u>-0-</u>	<u>17,833</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	\$ <u>378,999</u>	\$ <u>1,076,811</u>	\$ <u>1,455,810</u>	\$ <u>199,699</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 28, 2006

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL</u>
<b>ASSETS:</b>				
Cash & Cash Equiv.	\$153,197	\$25,975	\$ 29,898	\$209,070
Due from Component Unit	236	-0-	-0-	236
Due from Other Gov't Units	17,446	-0-	-0-	17,446
Accounts Receivable	-0-	594	-0-	594
Interest Receivable	-0-	38	-0-	38
Prepaid Expenses	11,253	2,164	285	13,702
Property Taxes Rec.	<u>892</u>	<u>-0-</u>	<u>-0-</u>	<u>892</u>
<b>TOTAL ASSETS</b>	<b><u>\$183,024</u></b>	<b><u>\$28,771</u></b>	<b><u>\$ 30,183</u></b>	<b><u>\$241,978</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accrued Wages	\$ 1,100	\$ -0-	\$ -0-	\$ 1,100
Accounts Payable	6,349	431	120	6,900
Payroll Taxes Payable	<u>730</u>	<u>232</u>	<u>95</u>	<u>1,057</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 8,179</u></b>	<b><u>\$ 663</u></b>	<b><u>\$ 215</u></b>	<b><u>\$ 9,057</u></b>
<b>FUND BALANCES:</b>				
Unreserved	<u>\$174,845</u>	<u>\$28,108</u>	<u>\$ 29,968</u>	<u>\$232,921</u>
<b>TOTAL FUND BALANCES</b>	<b><u>\$174,845</u></b>	<b><u>\$28,108</u></b>	<b><u>\$ 29,968</u></b>	<b><u>\$232,921</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$183,024</u></b>	<b><u>\$28,771</u></b>	<b><u>\$ 30,183</u></b>	<b><u>\$241,978</u></b>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$232,921
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Total Net Assets Reported for Governmental Activities  
in the Statement of Net Assets are different  
because -

Capital Assets used in Governmental Activities  
are not Financial Resources and therefore are  
not reported in the Governmental Funds Balance  
Sheet:

Capital Assets at Cost	308,480
Accumulated Depreciation	<u>(162,402)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>378,999</u>
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The accompanying notes are an integral  
part of the financial statements.



VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL</u>
<b>REVENUES:</b>				
Property Taxes	\$ 50,461	\$ -0-	\$ -0-	\$ 50,461
State Revenue Sharing	58,571	36,796	11,841	107,208
Charges for Services:				
Security	135	-0-	-0-	135
Zoning	3,956	-0-	-0-	3,956
Fines and Forfeits:				
Police Fines	1,563	-0-	-0-	1,563
Franchise fees	2,527	-0-	-0-	2,527
Interest	4,257	694	472	5,423
Police Training Grant	500	-0-	-0-	500
<b>TOTAL REVENUES</b>	<b><u>\$121,970</u></b>	<b><u>\$ 37,490</u></b>	<b><u>\$ 12,313</u></b>	<b><u>\$171,773</u></b>
<b>EXPENDITURES:</b>				
Administration	\$ 82,230	\$ -0-	\$ -0-	\$ 82,230
Law Enforcement	54,414	-0-	-0-	54,414
Streets	-0-	33,792	95,427	129,219
<b>TOTAL EXPENDITURES</b>	<b><u>\$136,644</u></b>	<b><u>\$ 33,792</u></b>	<b><u>\$ 95,427</u></b>	<b><u>\$265,863</u></b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER</b>				
<b>EXPENDITURES</b>	<b><u>\$(14,674)</u></b>	<b><u>\$ 3,698</u></b>	<b><u>\$(83,114)</u></b>	<b><u>\$(94,090)</u></b>
<b>OTHER SOURCES OF FUNDS:</b>				
Transfer in from				
Component Unit	\$ -0-	\$ -0-	\$ 88,043	\$ 88,043
<b>TOTAL OTHER SOURCES</b>				
<b>OF FUNDS</b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 88,043</u></b>	<b><u>\$ 88,043</u></b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER</b>				
<b>EXPENDITURES AND OTHER</b>				
<b>SOURCES OF FUNDS</b>	<b><u>\$(14,674)</u></b>	<b><u>\$ 3,698</u></b>	<b><u>\$ 4,929</u></b>	<b><u>\$ (6,047)</u></b>
Fund Balance March 1, 2005	171,686	24,410	25,039	221,135
Prior Period Adjustment	17,833	-0-	-0-	17,833
<b>FUND BALANCE AT</b>				
<b>FEBRUARY 28, 2006</b>	<b><u>\$174,845</u></b>	<b><u>\$ 28,108</u></b>	<b><u>\$ 29,968</u></b>	<b><u>\$232,921</u></b>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2006

Net Changes in Fund Balances - Total Government Funds	\$ (6,047)
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Total Change in Net Assets Reported for  
Governmental Activities in the Statement of  
Activities is different because:

Governmental Funds report capital outlays as  
expenditures: However, in the Statement of Activities,  
these costs are allocated over their  
estimated useful lives and reported as  
depreciation expense.

Depreciation Expense	(12,223)
Capital Outlay	<u>86,799</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>68,529</u>
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The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
FEBRUARY 28, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash & Cash Equivalents	\$ 190,218	\$ 286,122	\$ 476,340
Customer Receivables	14,659	12,254	26,913
Interest Receivable	291	8	299
Prepaid Expenses	<u>2,911</u>	<u>2,460</u>	<u>5,371</u>
TOTAL CURRENT ASSETS	\$ <u>208,079</u>	\$ <u>300,844</u>	\$ <u>508,923</u>
<b>RESTRICTED ASSETS:</b>			
Cash & Cash Equivalents	\$ <u>19,000</u>	\$ <u>-0-</u>	\$ <u>19,000</u>
TOTAL RESTRICTED ASSETS	\$ <u>19,000</u>	\$ <u>-0-</u>	\$ <u>19,000</u>
<b>NON-CURRENT ASSETS:</b>			
<b>Capital Assets:</b>			
Land	\$ 5,466	\$ 19,500	\$ 24,966
Other Capital Assets	307,373	746,728	1,054,101
Less: Accumulated Depreciation	<u>(170,217)</u>	<u>(359,151)</u>	<u>(529,368)</u>
TOTAL NON-CURRENT ASSETS	\$ <u>142,622</u>	\$ <u>407,077</u>	\$ <u>549,699</u>
<b>TOTAL ASSETS</b>	\$ <u><u>369,701</u></u>	\$ <u><u>707,921</u></u>	\$ <u><u>1,077,622</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS (CONTINUED)  
PROPRIETARY FUNDS  
FEBRUARY 28, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$ 56	\$ 65	\$ 121
Payroll Taxes Payable	<u>372</u>	<u>318</u>	<u>690</u>
TOTAL CURRENT LIABILITIES	\$ <u>428</u>	\$ <u>383</u>	\$ <u>811</u>
NET ASSETS:			
Retained Earnings:			
Invested in Capital Assets,			
Net of Related Debt	\$ 142,622	\$ 407,077	\$ 549,699
Restricted	19,000	-0-	19,000
Unrestricted	<u>207,651</u>	<u>300,461</u>	<u>508,112</u>
TOTAL NET ASSETS	\$ <u>369,273</u>	\$ <u>707,538</u>	\$ <u>1,076,811</u>
TOTAL LIABILITIES AND			
NET ASSETS	\$ <u><u>369,701</u></u>	\$ <u><u>707,921</u></u>	\$ <u><u>1,077,622</u></u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Water Sales	\$ 44,382	\$ -0-	\$ 44,382
Sewage Disposal Services	-0-	43,396	43,396
Hydrant Tax	5,046	-0-	5,046
Installation & Inspection Fees	<u>3,799</u>	<u>2,160</u>	<u>5,959</u>
TOTAL OPERATING REVENUES	<u>\$ 53,227</u>	<u>\$ 45,556</u>	<u>\$ 98,783</u>
OPERATING EXPENSES:			
Administration	\$ 26,218	\$ 12,892	\$ 39,110
Operation & Maintenance	18,211	4,526	22,737
Wages	16,444	18,334	34,778
Payroll Taxes	1,304	1,449	2,753
Utilities	2,852	442	3,294
Depreciation	<u>6,997</u>	<u>8,894</u>	<u>15,891</u>
TOTAL OPERATING EXPENSES	<u>\$ 72,026</u>	<u>\$ 46,537</u>	<u>\$ 118,563</u>
OPERATING INCOME (LOSS)	<u>\$ (18,799)</u>	<u>\$ (981)</u>	<u>\$ (19,780)</u>
NON-OPERATING REVENUES:			
Interest Revenue	<u>\$ 5,608</u>	<u>\$ 7,096</u>	<u>\$ 12,704</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 5,608</u>	<u>\$ 7,096</u>	<u>\$ 12,704</u>
CHANGE IN NET ASSETS	<u>\$ (13,191)</u>	<u>\$ 6,115</u>	<u>\$ (7,076)</u>
Net Assets, Beginning of Year	<u>382,464</u>	<u>701,423</u>	<u>\$1,083,887</u>
NET ASSETS, END OF YEAR	<u>\$369,273</u>	<u>\$707,538</u>	<u>\$1,076,811</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDING FEBRUARY 28, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 65,156	\$ 34,202	\$ 99,358
Cash Payments to Suppliers for Goods and Services	(48,647)	(19,525)	(68,172)
Cash Payments to Employees for Services	<u>(16,444)</u>	<u>(18,334)</u>	<u>(34,778)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>65</u>	\$ <u>(3,657)</u>	\$ <u>(3,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Equipment Purchased	\$ (3,473)	\$ (678)	\$ (4,151)
Interest Income	<u>5,451</u>	<u>7,094</u>	<u>12,545</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ <u>1,978</u>	\$ <u>6,416</u>	\$ <u>8,394</u>
NET INCREASE (DECREASE) IN CASH	\$ 2,043	\$ 2,759	\$ 4,802
Cash, Beginning of Year	<u>207,175</u>	<u>283,363</u>	<u>490,538</u>
CASH, END OF YEAR	<u>\$209,218</u>	<u>\$286,122</u>	<u>\$495,340</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (Loss) from Operations	\$(18,799)	\$ (981)	\$(19,780)
Adjustments to Reconcile Income			
(Loss) from Operations to Net			
Cash Provided (Used) by			
Operating Activities:			
Depreciation	6,997	8,894	15,891
(Increase) Decrease in Receivables	11,929	(11,354)	575
(Increase) Decrease in Prepaids	292	296	588
Increase (Decrease) in Payables	<u>(354)</u>	<u>(512)</u>	<u>(866)</u>
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	\$ <u>65</u>	\$ <u>(3,657)</u>	\$ <u>(3,592)</u>
RECONCILIATION OF INCOME (LOSS) FROM INVESTING TO NET CASH PROVIDED BY INVESTING ACTIVITIES			
Income (Loss) from Investing Activities	\$ 5,608	\$ 7,096	\$12,704
Adjustments to Reconcile Income			
(Loss) from Investing to Net			
Cash Provided by Investing Activities			
(Increase) Decrease in Interest Receivables	<u>(157)</u>	<u>(2)</u>	<u>(159)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ <u>5,451</u>	\$ <u>7,094</u>	\$ <u>12,545</u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>TAX ACCOUNT</u>
 RECEIPTS:	
Property Tax Collections	\$ <u>134,097</u>
TOTAL RECEIPTS	\$ <u>134,097</u>
 DISBURSEMENTS:	
General Fund	\$ 50,461
Water System	5,046
New Lothrop Development Authority	<u>78,590</u>
TOTAL DISBURSEMENTS	\$ <u>134,097</u>
 EXCESS RECEIPTS OVER DISBURSEMENTS	 \$ -0-
Beginning Cash Balance	<u>-0-</u>
 ENDING CASH BALANCE	 \$ <u>-0-</u>

The accompanying notes are an integral  
part of the financial statements.



VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BALANCE SHEET  
COMPONENT UNIT  
FEBRUARY 28, 2006

NEW LOTHROP  
DEVELOPMENT  
AUTHORITY

ASSETS:

Cash in Bank	\$239,795
Receivables	<u>63,957</u>
TOTAL ASSETS	<u>\$303,752</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:

Due to Primary Government	\$ <u>236</u>
TOTAL CURRENT LIABILITIES	\$ <u>236</u>

FUND BALANCE:

Unreserved	<u>\$303,516</u>
TOTAL FUND BALANCE	<u>\$303,752</u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
RECONCILIATION OF BALANCE SHEET OF COMPONENT UNIT  
TO THE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2006

TOTAL FUND BALANCE - COMPONENT UNIT \$303,516

Total Net Assets Reported for Component Unit  
Activities in the Statement of Net Assets  
are different because:

Capital Assets used in Component Unit Activities  
are not Financial Resources and therefore are  
not reported in the Component Units Balance  
Sheet:

Capital Assets at Cost	79,728
Accumulated Depreciation	(7,507)

Long-Term Liabilities are not Due and Payable in  
the Current Period and are not Reported in the  
Component Units Balance Sheet (176,038)

TOTAL NET ASSETS - COMPONENT UNIT ACTIVITIES \$199,699

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
COMPONENT UNIT  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>NEW LOTHROP DEVELOPMENT AUTHORITY</u>
<b>REVENUES:</b>	
Property Taxes	\$137,636
Interest	<u>626</u>
<b>TOTAL REVENUES</b>	<b><u>\$138,262</u></b>
<b>EXPENDITURES:</b>	
Official Wages	\$ 500
Long-Term Debt Payment:	
Interest	8,762
Principal	43,010
Professional Services	6,413
Supplies	645
Downtown Promotion	<u>9,044</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 68,374</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ 69,888</u></b>
<b>OTHER USES OF FUNDS:</b>	
Transfer to Primary Government	\$(88,043)
<b>TOTAL OTHER USES OF FUNDS</b>	<b><u>\$(88,043)</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES OF FUNDS</b>	<b><u>\$(18,155)</u></b>
<b>Fund Balance at March 1, 2005</b>	<b><u>321,671</u></b>
<b>FUND BALANCE AT FEBRUARY 28, 2006</b>	<b><u>\$303,516</u></b>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF COMPONENT UNITS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2006

Net Changes in Fund Balance - Component Unit	\$(18,155)
Total Change in Net Assets reported for Component Unit Activities in the Statement of Activities is different because:	
Component Unit Funds report capital outlays as expenditures. However, in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation expense.	
Depreciation Expense	(3,658)
Component Unit Funds report repayment of loan principal as an expenditure, but not in the Statement of Activities (where it reduces long-term debt)	
SIB Loan Principal Repayment	<u>43,010</u>
CHANGE IN NET ASSETS OF COMPONENT UNIT ACTIVITIES	<u>\$ 21,197</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of New Lothrop, Shiawassee County, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of New Lothrop.

1. REPORTING ENTITY

The Village of New Lothrop is governed by an elected nine-member council (Board). The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description)

DISCRETELY PRESENTED COMPONENT UNIT

New Lothrop Development Authority is used for the planning of improvements in the downtown district. Board members are appointed by the Board. The Development Authority is fiscally dependent upon Village, because the Board approves its budget, levies taxes and must approve any Debt issuance. The Development Authority is presented as a governmental type fund.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements, (The Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, inter-governmental payments and other items properly excluded from program revenues are reported as general revenue.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUNDS

ENTERPRISE FUNDS

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user chargers; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Funds are charges to customers for services. The Enterprise Funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

FIDUCIARY FUNDS

Trust Funds - These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

4. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

CASH AND CASH EQUIVALENTS

Cash and cash equivalents investments include cash on hand, demand deposits and certificates of deposit with a maturity of three months or less when acquired. They are stated at fair value.

RECEIVABLES AND PAYABLES

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES AND PAYABLES (CONTINUED)

In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Outstanding balances between the primary government and the discretely presented component units are reported as "due to/from primary government" and due to/from component unit."

INVENTORIES AND PREPAID ITEMS

Inventories of supplies are considered to be immaterial and are not recorded. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

RESTRICTED ASSETS

The Enterprise Funds require amounts to be set aside for improvements and water pump replacements. These amounts have been classified as restricted assets.

PROPERTY TAXES

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31, and the related property taxes become a lien on July 1, of the following year. These taxes are due on September 15. The Village 2005 tax roll millage rate was 10.000 mills for general services and 1.000 mill for water services, and the taxable value was \$12,212,033.

ENCUMBRANCES

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.



VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, Additions and Improvements	40 years
Furniture, Fixtures and Equipment	5 to 7 years
Infrastructure	15 to 20 years
Water and Sewer Lines	75 years

COMPENSATED ABSENCES (VACATION AND SICK PAY)

The Village has only one full-time employee that is eligible for vacation time. Any vacation accrued at year end is considered immaterial and is not recorded as a liability.

POST-EMPLOYMENT BENEFITS

The Village provides no post-employment benefits to past employees.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets.

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

COMPARATIVE DATA

Comparative data is not included in the Village's financial statements.

NOTE B - BUDGETS AND BUDGETARY ACCOUNTING

The following procedures are followed in establishing the budgetary data reflected in these financial statements.

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year by a majority vote of the Village Council. The Village Clerk is authorized to transfer budgeted amounts between classifications within any fund. These adjustments must be approved by the Village Council at the next meeting.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE B - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

7. The adopted budgets are used as a management control device, during the year, for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.
10. The Development Authority, a discretely presented component unit, follows the same procedures as the Village in establishing their budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>BUDGETED ITEM</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>
Water Fund Administration	\$24,500	\$26,218

NOTE C - DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE C - DEPOSITS (CONTINUED)

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

The Government Accounting Standards Board Statement No. 3, risk disclosure for the cash deposits are as follows:

	<u>CARRYING AMOUNTS</u>	
	<u>PRIMARY</u>	<u>COMPONENT</u>
	<u>GOVERNMENT</u>	<u>UNIT</u>
Total Deposits	<u>\$704,410</u>	<u>\$239,795</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>BANK BALANCES</u>	
	<u>PRIMARY</u>	<u>COMPONENT</u>
	<u>GOVERNMENT</u>	<u>UNIT</u>
Insured (FDIC)	\$200,000	\$100,000
Uninsured & Uncollateralized	<u>509,045</u>	<u>140,315</u>
TOTAL DEPOSITS	<u>\$709,045</u>	<u>\$240,315</u>

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE D - COMMON BANK ACCOUNT

The Village has maintained a common bank account, during the year, to obtain higher interest earnings. The equity of each individual fund in this bank account are as follows:

General Fund	\$133,152
Major Street Fund	6,912
Local Street Fund	29,898
Water Fund	141,564
Sewer Fund	<u>276,382</u>
TOTAL COMMON BANK ACCOUNT BALANCE	
FEBRUARY 28, 2006	<u>\$587,908</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers is as follows:

<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	
Primary Government	Component Unit	
Local Street	Development	
	Authority	<u>\$ 88,043</u>

The composition of interfund balances is as follows:

<u>RECEIVABLE</u>	<u>PAYABLE</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
<u>FUND</u>	<u>FUND</u>		
Primary Government	Component Unit		Reimbursement of
General Fund	Development		overpayment of
	Authority	\$ 236	TIF monies for
			2005

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE F - CAPITAL ASSETS

Capital asset activity of the Village's Governmental and Proprietary activities for the current year was as follows:

	BALANCE 03-01-05	ADDITIONS	DELETIONS	BALANCE 02-28-06
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being Depreciated				
Land	\$ <u>23,330</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>23,330</u>
Capital Assets being Depreciated				
Buildings	\$ 80,968	\$ -0-	\$ -0-	\$ 80,968
Equipment	29,341	5,909	-0-	35,250
Furn. & Fixt.	6,448	-0-	-0-	6,448
Infrastructure	22,328	80,890	-0-	103,218
Law Enforcement Equip	<u>59,266</u>	<u>-0-</u>	<u>-0-</u>	<u>59,266</u>
TOTAL	\$198,351	\$ 86,799	\$ -0-	\$285,150
Accumulated Depr.	( <u>150,179</u> )	( <u>12,223</u> )	<u>-0-</u>	( <u>162,402</u> )
Net Capital Assets Being Depreciated	\$ <u>48,172</u>	\$ <u>74,576</u>	\$ <u>-0-</u>	\$ <u>122,748</u>
NET GOVERNMENTAL CAPITAL ASSETS	\$ <u>71,502</u>	\$ <u>74,576</u>	\$ <u>-0-</u>	\$ <u>146,078</u>

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE F - CAPITAL ASSETS (CONTINUED)

	BALANCE 03-01-05	ADDITIONS	DELETIONS	BALANCE 02-28-06
BUSINESS-TYPE ACTIVITIES				
Capital Assets not being Depreciated				
Land	\$ 24,966	\$ -0-	\$ -0-	\$ 24,966
Capital Assets being Depreciated				
Buildings	\$ 12,728	\$ -0-	\$ -0-	\$ 12,728
Equipment	14,235	4,151	-0-	18,386
Sewer System	743,564	-0-	-0-	743,564
Water System	279,423	-0-	-0-	279,423
TOTAL	\$1,049,950	\$ 4,151	\$ -0-	\$1,054,101
Accumulated Depr.	(513,477)	(15,891)	-0-	(529,368)
Net Capital Assets Being Depreciated	\$ 536,473	(11,740)	-0-	524,733
NET BUSINESS-TYPE CAPITAL ASSETS	\$ 561,439	\$ (11,740)	\$ -0-	\$ 549,699

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2006

NOTE F - CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT	BALANCE 03-01-05	ADDITIONS	DELETIONS	BALANCE 02-28-06
Capital Assets not being Depreciated				
Land	\$40,005	\$ -0-	\$ -0-	\$40,005
Capital Assets being Depreciated				
Equipment	\$ 5,754	\$ -0-	\$ -0-	\$ 5,754
Furn. & Fixt.	7,500	-0-	-0-	7,500
Infrastructure	<u>26,469</u>	<u>-0-</u>	<u>-0-</u>	<u>26,469</u>
TOTAL	\$39,723	\$ -0-	\$ -0-	\$39,723
Accumulated Depr.	<u>(3,849)</u>	<u>(3,658)</u>	<u>-0-</u>	<u>(7,507)</u>
Net Capital Assets Being Depreciated	\$35,874	\$ (3,658)	\$ -0-	\$32,216
NET COMPONENT UNIT CAPITAL ASSETS	<u>\$75,879</u>	<u>\$ (3,658)</u>	<u>\$ -0-</u>	<u>\$72,221</u>

NOTE G - TAX INCREMENT FINANCE PLAN (TIFA)

The Development Authority has adopted a tax increment finance plan for the purpose of providing money to make public improvements within the municipality. The theory being that an investment in necessary public improvements with the municipality will result in greater tax revenues from that area than would occur if no special development were undertaken. Taxes generated from the increase in state equalized value over 1990's state equalized value are TIFA monies to be used for these improvements.

Projects are planned for development with the TIFA monies are: development of a public park and construction of a water filtration plant. Authorized expenditures associated with these projects include: development of zoning ordinances and land use plan, acquisition of "vest pocket" park, development of pair, general downtown facade improvements, promotion of downtown area and recruitment of businesses to the area and construction of water filtration plant.



VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

NOTE H - GENESEE STREET IMPROVEMENT PROJECT

The Genesee Street Project removed and repaired existing road surface, sidewalk, storm drainage, installed conduit, street lighting, curb and gutter. The total project cost \$406,936.

The project was paid for by a loan from the Michigan Department of Transportation State Infrastructure Bank. The interest rate for the loan will be four percent, with annual payments of \$51,772. The loan is secured by the Village's Act 51 Revenue Sharing.

A summary of changes in long-term debt follows:

	<u>BALANCE</u> <u>03-01-05</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>02-28-06</u>
Genesee St. Payment	<u>\$219,048</u>	<u>\$ -0-</u>	<u>\$ 43,010</u>	<u>\$176,038</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>YEAR END FEBRUARY 28</u>	<u>TOTAL</u>
2007	\$ 44,730
2008	46,520
2009	48,380
2010	<u>36,408</u>
	<u>\$176,038</u>

NOTE I - DEFERRED COMPENSATION PLAN

The Village does not have a deferred compensation plan.

NOTE J - PENSION PLAN

The Village does not have a pension plan.

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2006

NOTE K - RISK MANAGEMENT

The Village is exposed to various risks of loss related property loss, torts, errors, omissions and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE L - BUILDING PERMITS

As of February 28, 2006, the Village had building permit revenues of \$3,956 and building permit expenses of \$3,000.

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 28, 2006, is as follows:

	<u>SEWER FUND</u>	<u>WATER FUND</u>
Operating Revenues	\$ 45,556	\$ 53,227
Depreciation Expense	8,894	6,997
Net Income (Loss)	6,115	(13,191)
Net Working Capital	707,538	369,273
Net Assets	707,921	369,701

NOTE N - SUBSEQUENT EVENT

On June 16, 2005, the Village signed an agreement with Artesian of Pioneer, Inc., for Artesian to build and operate a drinking water treatment plant. The Village will pay a base rate of \$31,777 per quarter that is guaranteed until April 1, 2010. A new rate structure for water sales was adopted in March 2006 and treated water service began on April 2006.

NOTE O - PRIOR PERIOD ADJUSTMENT

The prior period adjustment made during the year, which was the result of correction of an accounting change. This adjustment was reported as a change to beginning fund balance and net assets. The state shared receivable by the Village of \$17,833 as of February 28, 2005, has been recognized as revenue in that year.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	BUDGETED AMOUNTS			VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET</u>
				<u>OVER (UNDER)</u>
<b>REVENUES:</b>				
Property Taxes	\$ 50,500	\$ 50,500	\$ 50,461	\$ (39)
State Revenue Sharing	67,000	67,000	58,571	(8,429)
Charges for Services:				
Security	-0-	-0-	135	135
Zoning	2,500	2,500	3,956	1,456
Fines and Forfeits:				
Police Fines	2,200	2,200	249	(1,951)
Franchise Fees	2,000	2,000	2,527	527
Interest	1,000	1,000	4,257	3,257
Liquor License Fees	1,000	1,000	1,314	314
Police Training Grant	<u>500</u>	<u>500</u>	<u>500</u>	<u>-0-</u>
TOTAL REVENUES	<u>\$126,700</u>	<u>\$126,700</u>	<u>\$121,970</u>	<u>\$ (4,730)</u>
<b>EXPENDITURES:</b>				
General Administration:				
Officials Wages	\$ 15,500	\$ 16,100	\$ 16,072	\$ (28)
Office, Dues & Publ.	6,000	9,700	9,647	(53)
Prof. Services	12,000	12,400	12,391	(9)
Telephone	2,000	2,900	2,900	-0-
Utilities	15,000	20,500	20,473	(27)
Insurance	6,000	6,700	6,700	-0-
Repairs & Maint.	8,000	8,000	6,009	(1,991)
Payroll Taxes	1,100	1,300	1,230	(70)
Capital Outlay	20,000	8,000	5,909	(2,091)
Penalties & Fines	2,600	2,600	899	(1,701)
Law Enforcement:				
Officials Wages	600	600	600	-0-
Wages	29,832	29,832	29,091	(741)
Payroll Taxes	2,433	2,433	2,271	(162)
Office Supplies	1,300	1,900	1,825	(75)
Telephone	1,800	2,000	1,959	(41)
Gas & Oil	2,200	2,200	1,859	(341)
Insurance	13,541	13,541	10,411	(3,130)
Professional Serv.	2,000	4,000	3,910	(90)
Repairs & Maint.	2,000	2,000	1,890	(110)
Training & Education	1,100	1,100	500	(600)
Capital Outlay	3,000	200	-0-	(200)
Clothing	500	500	98	(402)
Library	<u>1,200</u>	<u>1,200</u>	<u>-0-</u>	<u>(1,200)</u>
TOTAL EXPENDITURES	<u>\$149,706</u>	<u>\$149,706</u>	<u>\$136,644</u>	<u>\$ (13,062)</u>

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	BUDGETED AMOUNTS			VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	FINAL BUDGET
				<u>OVER (UNDER)</u>
DEFICIENCY OF REVENUES				
OVER EXPENDITURES	\$ <u>(23,006)</u>	\$ <u>(23,006)</u>	\$ (14,674)	\$ <u>8,332</u>
 Fund Balance at March 1, 2005			171,686	
 Prior Period Adjustment			<u>17,833</u>	
 FUND BALANCE AT FEBRUARY 28, 2006			<u>\$174,845</u>	

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
MAJOR STREET FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:				
State Revenue Sharing	\$ 36,000	\$ 36,000	\$36,796	\$ 796
Interest	<u>800</u>	<u>800</u>	<u>694</u>	<u>(106)</u>
TOTAL REVENUES	\$ <u>36,800</u>	\$ <u>36,800</u>	<u>\$37,490</u>	\$ <u>690</u>
EXPENDITURES:				
Routine Maintenance:				
Wages	\$ 18,000	\$ 18,000	\$11,628	\$ (6,372)
Payroll Taxes	800	950	920	(30)
Bridge Inspection	1,000	1,000	650	(350)
Gas	-0-	900	863	(37)
Repairs & Maintenance	17,000	15,450	7,617	(7,833)
Insurance	6,000	6,200	6,197	(3)
Officials Wages	420	420	395	(25)
Office Supplies	800	900	824	(76)
Professional Services	2,500	2,500	533	(1,967)
Snow Removal	<u>4,000</u>	<u>4,200</u>	<u>4,165</u>	<u>(35)</u>
TOTAL EXPENDITURES	\$ <u>50,520</u>	\$ <u>50,520</u>	<u>\$33,792</u>	\$ <u>(16,728)</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ <u>(13,720)</u>	\$ <u>(13,720)</u>	<u>\$ 3,698</u>	\$ <u>17,418</u>
OTHER SOURCES OF FUNDS:				
Transfer in from Component Unit	\$ <u>1,500</u>	\$ <u>1,500</u>	\$ <u>-0-</u>	\$ <u>(1,500)</u>
TOTAL OTHER SOURCES OF FUNDS	\$ <u>1,500</u>	\$ <u>1,500</u>	\$ <u>-0-</u>	\$ <u>(1,500)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES OF FUNDS	\$ <u>(12,220)</u>	\$ <u>(12,220)</u>	\$ 3,698	\$ <u>15,918</u>
Fund Balance at March 1, 2005			<u>24,410</u>	
FUND BALANCE AT FEBRUARY 28, 2006			<u>\$28,108</u>	

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
LOCAL STREET FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER UNDER
<b>REVENUES:</b>				
State Revenue Sharing	\$ 12,000	\$ 14,750	\$ 11,841	\$ (159)
Interest	<u>250</u>	<u>250</u>	<u>472</u>	<u>222</u>
TOTAL REVENUES	\$ <u>12,250</u>	\$ <u>12,250</u>	\$ <u>12,313</u>	\$ <u>63</u>
<b>EXPENDITURES:</b>				
Routine Maintenance:				
Wages	\$ 6,500	\$ 6,500	\$ 5,653	\$ (847)
Payroll Taxes	400	450	448	(2)
Repairs & Maintenance	5,500	4,320	2,661	(1,659)
Insurance	2,000	2,400	2,335	(65)
Northwood St. Constr.	45,000	90,000	80,890	(9,110)
Officials Wages	180	210	205	(5)
Office	-0-	700	665	(35)
Professional Services	2,500	2,500	1,179	(1,321)
Snow Removal	<u>1,500</u>	<u>1,500</u>	<u>1,391</u>	<u>(109)</u>
TOTAL EXPENDITURES	\$ <u>63,580</u>	\$ <u>108,580</u>	\$ <u>95,427</u>	\$ <u>13,153</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ <u>(51,330)</u>	\$ <u>(96,330)</u>	\$ <u>(83,114)</u>	\$ <u>13,216</u>
<b>OTHER SOURCES OF FUNDS:</b>				
Transfer in from Component Unit	\$ <u>46,500</u>	\$ <u>91,500</u>	\$ <u>88,043</u>	\$ <u>(3,457)</u>
TOTAL OTHER SOURCES OF FUNDS	\$ <u>46,500</u>	\$ <u>91,500</u>	\$ <u>88,043</u>	\$ <u>(3,457)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>(4,830)</u>	\$ <u>(4,830)</u>	\$ 4,929	\$ <u>9,759</u>
Fund Balance at March 1, 2005			<u>25,039</u>	
FUND BALANCE AT FEBRUARY 28, 2006			<u>\$29,968</u>	

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
WATER FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
OPERATING REVENUES:				
Water Sales	\$ 44,000	\$ 44,000	\$ 44,382	\$ 382
Hydrant Tax	5,000	5,000	5,046	46
Installation and Inspection Fees	<u>2,000</u>	<u>2,000</u>	<u>3,799</u>	<u>1,799</u>
TOTAL OPERATING REV.	\$ <u>51,000</u>	\$ <u>51,000</u>	\$ <u>53,227</u>	\$ <u>2,227</u>
OPERATING EXPENSES:				
Administration	\$ 14,400	\$ 24,500	\$ 26,218	\$ 1,718
Operation & Maint.	27,400	18,300	18,211	(89)
Wages	17,000	16,500	16,444	(56)
Payroll Taxes	1,000	1,400	1,304	(96)
Utilities	2,800	2,900	2,852	(48)
Depreciation	<u>8,000</u>	<u>7,000</u>	<u>6,997</u>	<u>(3)</u>
TOTAL OPERATING EXP.	\$ <u>70,600</u>	\$ <u>70,600</u>	\$ <u>72,026</u>	\$ <u>1,426</u>
OPERATING LOSS	\$ <u>(19,600)</u>	\$ <u>(19,600)</u>	\$ <u>(18,799)</u>	\$ <u>801</u>
NON-OPERATING REVENUES:				
Interest Revenue	\$ <u>1,500</u>	\$ <u>1,500</u>	\$ <u>5,608</u>	\$ <u>4,108</u>
TOTAL NON-OPERATING REVENUES	\$ <u>1,500</u>	\$ <u>1,500</u>	\$ <u>5,608</u>	\$ <u>4,108</u>
NET INCOME (LOSS)	\$ <u>(18,100)</u>	\$ <u>(18,100)</u>	\$ (13,191)	\$ <u>4,909</u>
Retained Earnings at March 1, 2005			<u>382,464</u>	
RETAINED EARNINGS AT FEBRUARY 28, 2006			<u>\$369,273</u>	



VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
SEWER FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
OPERATING REVENUES:				
Sewage Disposal Services	\$ 40,000	\$ 40,000	\$ 43,396	\$ 3,396
Installation & Inspection Fees	<u>1,500</u>	<u>1,500</u>	<u>2,160</u>	<u>660</u>
TOTAL OPERATING REVENUES	<u>\$ 41,500</u>	<u>\$ 41,500</u>	<u>\$ 45,556</u>	<u>\$ 4,056</u>
OPERATING EXPENSES:				
Administration	\$ 14,600	\$ 14,600	\$ 12,892	\$(1,708)
Operation & Maint.	10,000	10,000	4,526	(5,474)
Wages	20,200	20,200	18,334	(1,866)
Payroll Taxes	1,500	1,500	1,449	(51)
Utilities	800	800	442	(358)
Depreciation	<u>9,000</u>	<u>9,000</u>	<u>8,894</u>	<u>(106)</u>
TOTAL OPERATING EXPENSES	<u>\$ 56,100</u>	<u>\$ 56,100</u>	<u>\$ 46,537</u>	<u>\$(9,563)</u>
OPERATING LOSS	<u>\$(14,600)</u>	<u>\$(14,600)</u>	<u>\$ (981)</u>	<u>\$13,619</u>
NON-OPERATING INCOME (LOSS)				
Interest Revenue	\$ <u>1,500</u>	\$ <u>1,500</u>	\$ <u>7,096</u>	\$ <u>5,596</u>
TOTAL NON-OPERATING REV.	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 7,096</u>	<u>\$ 5,596</u>
NET INCOME (LOSS)	<u>\$(13,100)</u>	<u>\$(13,100)</u>	<u>\$ 6,115</u>	<u>\$19,215</u>
Retained Earnings at March 1, 2005			<u>701,423</u>	
RETAINED EARNINGS AT FEBRUARY 28, 2006			<u>\$707,538</u>	

VILLAGE OF NEW LOTHROP  
SHIAWASSEE COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
COMPONENT UNIT  
FOR THE YEAR ENDED FEBRUARY 28, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
<b>REVENUES:</b>				
Property Taxes	\$ -0-	\$ -0-	\$137,636	\$ (137,636)
Interest	<u>-0-</u>	<u>-0-</u>	<u>626</u>	<u>(626)</u>
TOTAL REVENUES	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>138,262</u>	\$ <u>(138,262)</u>
<b>EXPENDITURES:</b>				
Downtown Beautification	\$ 10,000	\$ 10,000	\$ -0-	\$ (10,000)
Officials Wages	500	500	500	-0-
Capital Outlay	125,000	81,000	-0-	(81,000)
Long-Term Debt Payment:				
Interest	8,762	8,762	8,762	-0-
Principal	43,010	43,010	43,010	-0-
Professional Fees	12,500	12,500	6,413	(6,087)
Supplies	3,000	3,000	645	(2,355)
Downtown Promotion	<u>21,000</u>	<u>21,000</u>	<u>9,044</u>	<u>(11,956)</u>
TOTAL EXPENDITURES	\$ <u>223,772</u>	\$ <u>179,772</u>	\$ <u>68,374</u>	\$ <u>(111,398)</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ <u>(223,772)</u>	\$ <u>(179,772)</u>	\$ <u>69,888</u>	\$ <u>249,660</u>
<b>OTHER USES OF FUNDS:</b>				
Transfer to Primary Government	\$ <u>(45,000)</u>	\$ <u>(89,000)</u>	\$ <u>(88,043)</u>	\$ <u>957</u>
TOTAL OTHER USES OF FUNDS	\$ <u>(45,000)</u>	\$ <u>(89,000)</u>	\$ <u>(88,043)</u>	\$ <u>957</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES OF FUNDS	\$ <u>(268,772)</u>	\$ <u>(268,772)</u>	\$ (18,155)	\$ <u>250,617</u>
Fund Balance at March 1, 2005			<u>321,671</u>	
FUND BALANCE AT FEBRUARY 28, 2006			\$ <u>303,516</u>	



# DEMIS and WENZLICK, P.C.

*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**August 9, 2006**

**Members of the Village Council  
Village of New Lothrop  
Shiawassee County, Michigan**

We have audited the financial statements of the Village of New Lothrop as of and for the year ended February 28, 2006, and have issued our report thereon dated August 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Village of New Lothrop's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village of New Lothrop's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Village's management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis and Wenzel, P.C.*

Certified Public Accountants

Owosso, Michigan



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**August 9, 2006**

**Members of the Village Council  
Village of New Lothrop  
Shiawassee County, Michigan**

In planning and performing our audit of the financial statements of the Village of New Lothrop for the year ended February 28, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of our examination of the Village's financial statements, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

### BUDGET

The State Revenue Sharing Distribution; Law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is required under this act that expenditures do not exceed the budget. Expenditures include accounts payable at February 28. Budgeted expenditures cannot exceed budgeted revenue plus the beginning fund balance. During our audit we noted one expenditure exceeded budgeted amounts. Care should be taken that expenditures do not exceed the budget.

We wish to thank the Council for the cooperation we received in performing the Village audit. If we can be of any further assistance to the Village, please contact us.

*Dennis and Wengert, PC*

Certified Public Accountants